

Panel I.A Future Demand for Natural Gas in Southern California: 2006 - 2016

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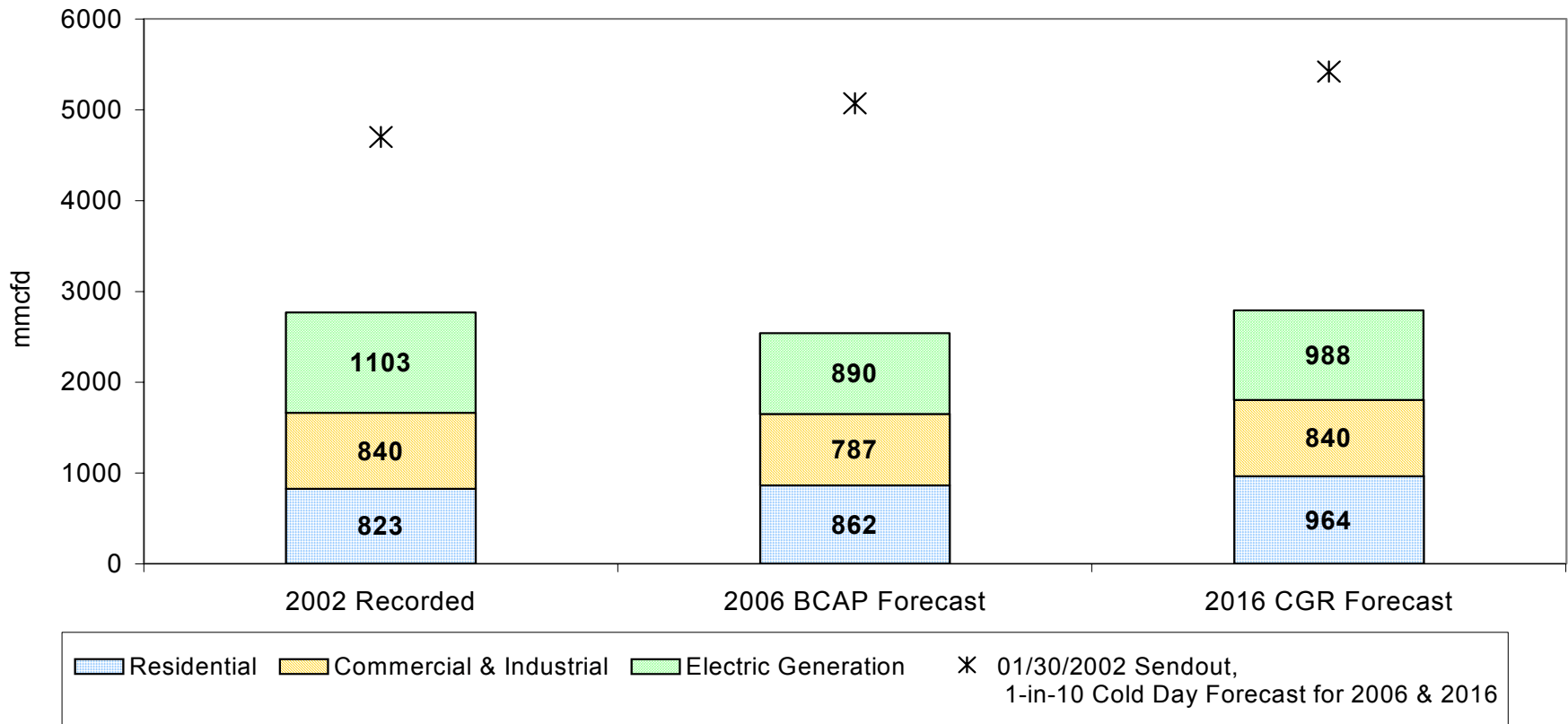
Summary

- Based on our most recent forecasts, compared to 2002, we expect lower gas demand in 2006, rising slightly through 2016 approximately to the 2002 level.
- While residential demand is expected to grow modestly, there is a high degree of variability in EG gas demand.
- In addition, a number of factors have a significant influence on short- and long-term EG gas demand, increasing the forecast uncertainty.

Sources & Key Assumptions

- These projections represent the latest forecasts by SoCalGas and SDG&E for their utility service areas.
 - 2006 Forecast reflects latest short-term forecast developed in A. 03-09-008 (the SoCalGas & SDG&E BCAPs, filed 9/3/03).
 - 2016 Forecast developed for the 2002 California Gas Report (filed 7/1/02).
- Forecasts based on “normal” conditions.
- Moderate economic growth

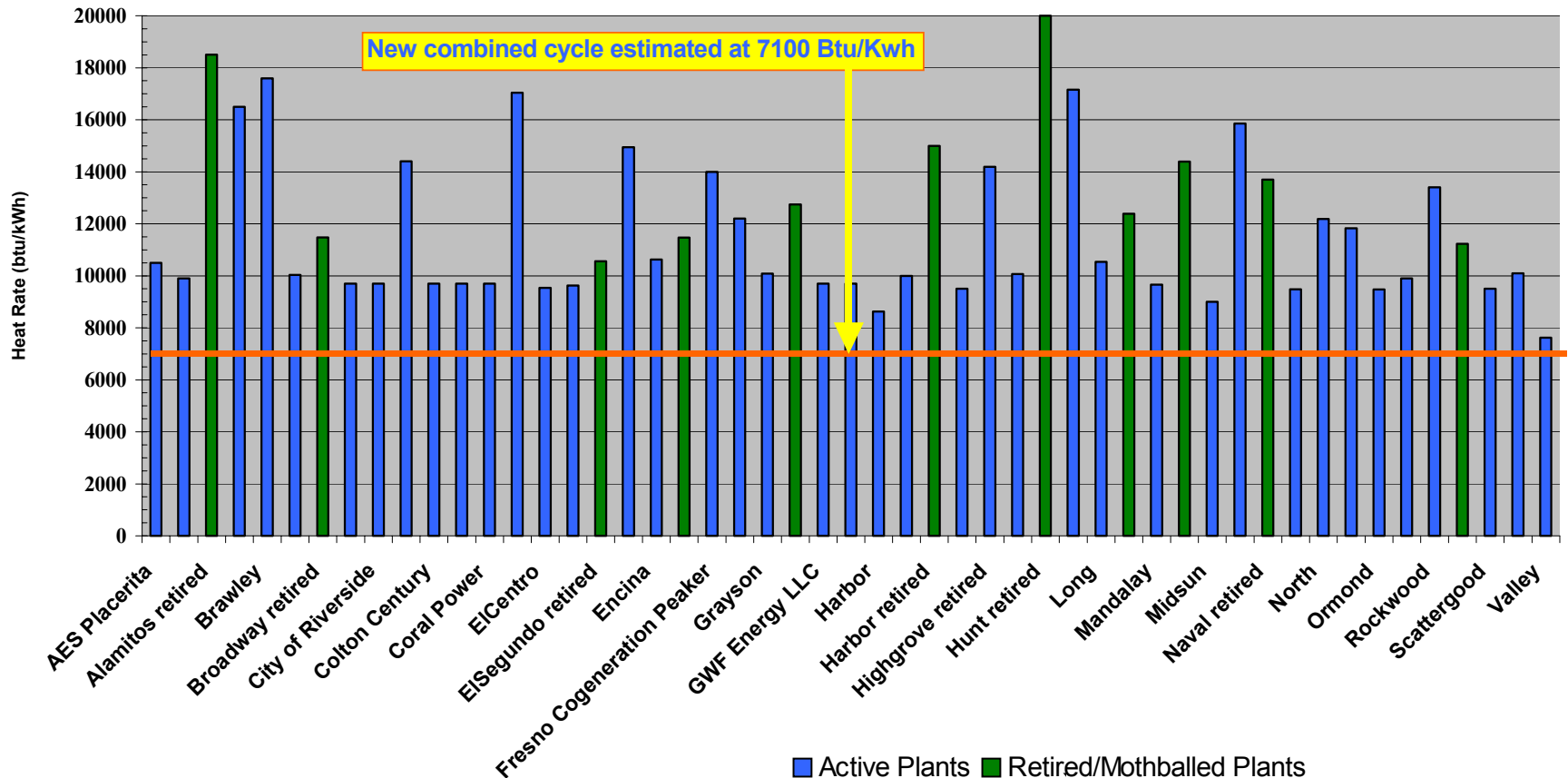
End-Use Demand Trends: SoCalGas & SDG&E



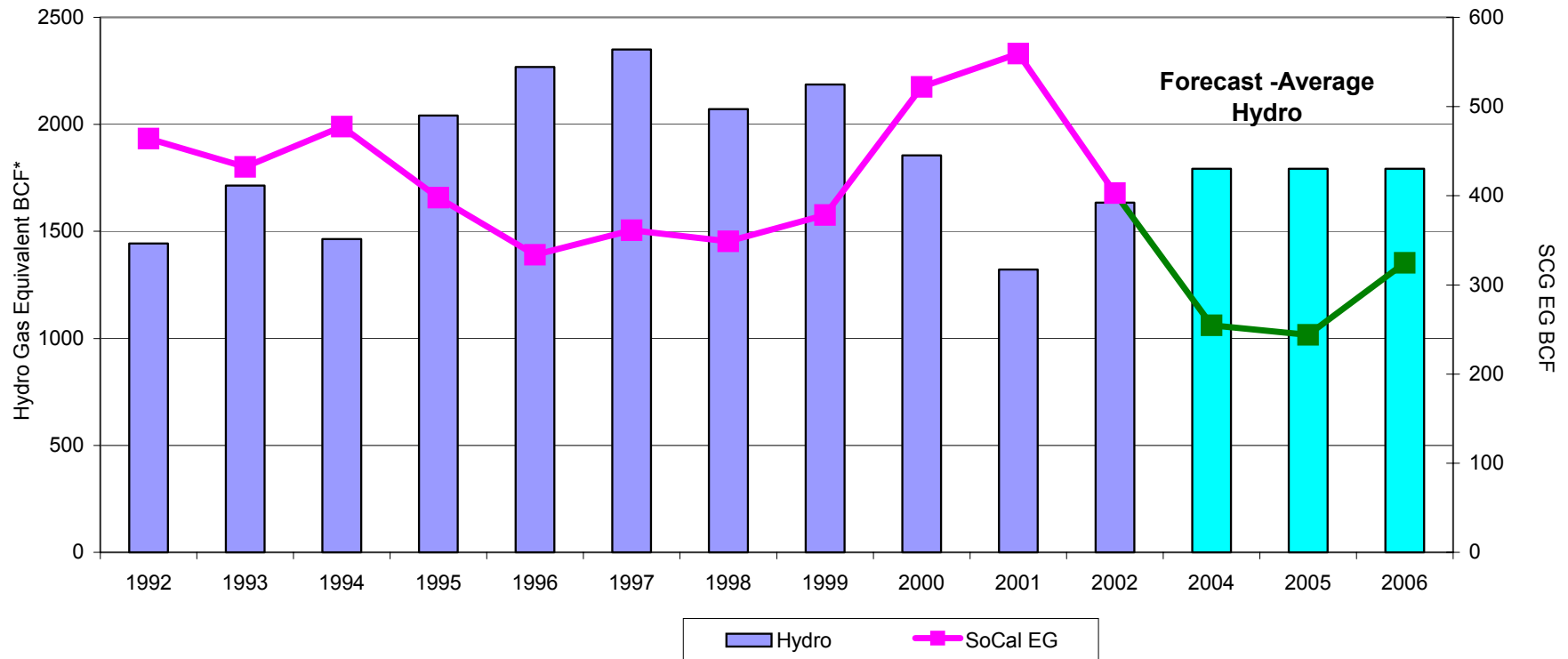
Market Trends

- Residential: Modest growth in residential demand due to
 - Average annual customer (meter) growth rate of 1.4%
 - Long-term use per meter declining 0.2% per year
 - “Cold-year” adds about 100 – 125 MMcfd compared to average-year
- Commercial & Industrial: Relatively flat due to
 - Steady growth in commercial loads tracking economic activity
 - Contraction in more energy intensive sectors due to compliance with environmental regulations, higher gas prices and business migration
- EG gas demand on the SoCalGas and SDG&E systems may recover, but not to historic levels.
- Peak day demand expected to grow consistent with residential consumption patterns.

Efficiency of Non-Cogeneration SoCalGas/SDG&E EGs



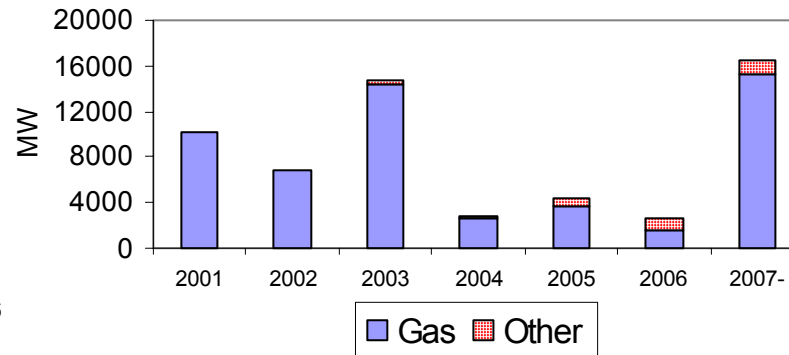
Impact of Hydro on EG Gas Demand



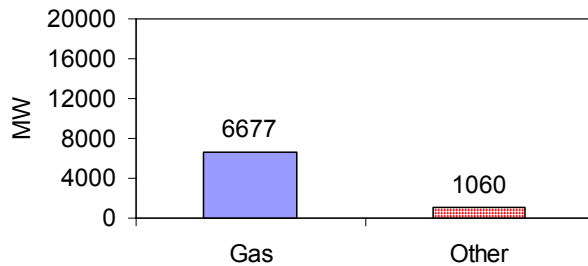
*10,000 Btu/Kwh heat rate used to convert hydroelectric generation into BCF

WECC Power Plant Development

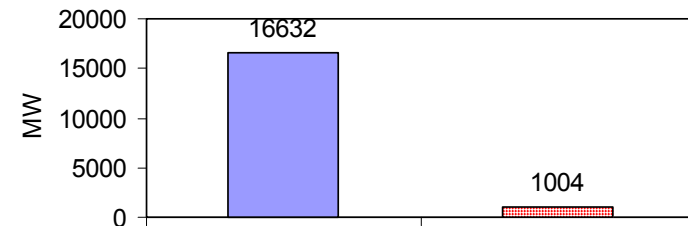
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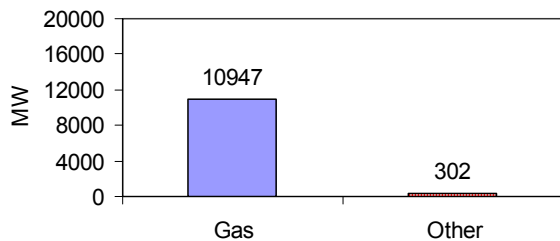
Pacific NW/Canada - Years 2001-2006



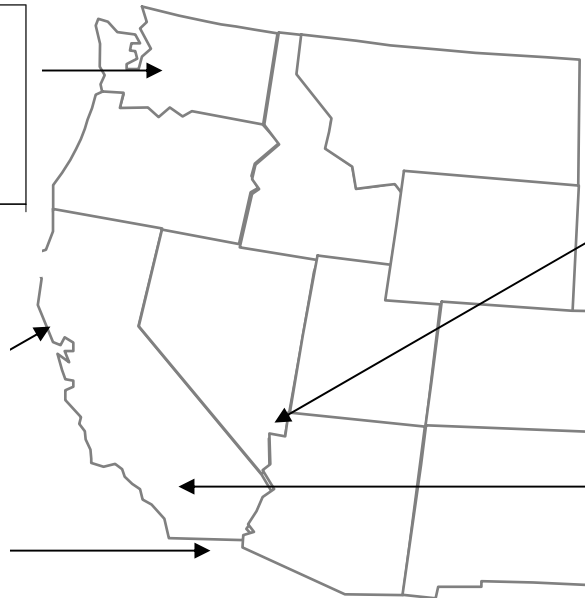
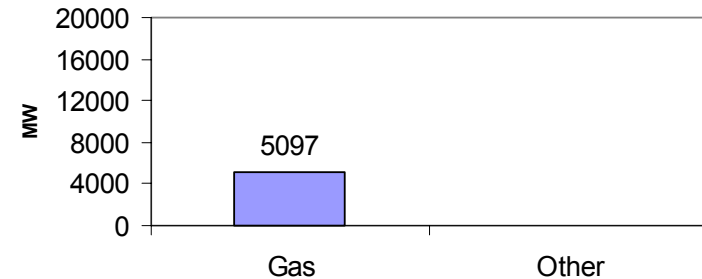
Southwest - Years 2001-2006



Other CACFE - Years 2001-2006



SCG & SDGE - Years 2001-2006



EG Gas Demand

- EG gas demand has fluctuated significantly since composition of load is primarily older, less efficient generation. Gas use heavily influenced by marginal changes in electricity supply and end-use demand, including:
 - Retirement of existing power plants
 - Availability of hydroelectricity
 - Capacity and pricing of electric transmission
 - Location of new power plants
 - Performance of base load generation
 - Relative price of gas vs. coal
 - Weather
 - LSE Procurement strategies